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# Quarterly audits

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activity, the good that will result to German industry does not imply any corollary of harm to American industry. We have, I am sure, fully discarded the notion that what goes to increase one nation's prosperity must of necessity injure another's. The problem of the world today is not to stifle legitimate commercial competition between nations, but basing that

competition on intelligent comprehension of facts, to build up the buying power of the world's consuming public. In that process, in the enabling of all mankind to raise its standard of living—which is what the increase in the consumer's buying power means—lies the real solution of international amity and domestic contentment.

### Quarterly Audits

THE New York Stock Exchange has long adhered to the very laudable policy of making available to those who desire to buy or sell corporate stocks and bonds, all information possible concerning the financial standing of the corporations whose securities are listed on the "big board." A sincere effort has been made to secure the publication of all material facts, for the benefit of the investing public.

Companies enjoying the privileges of the Stock Exchange must agree to submit financial statements periodically. Until recently these statements have been rendered annually in most cases. During the past few years, however, the Stock Exchange has been exerting its influence in the direction of obtaining financial statements at more frequent intervals.

A number of corporations—particularly those whose securities have been listed recently—have entered into an agreement with the Stock Exchange to make public quarterly statements of financial condition and earnings. The number is increasing constantly. Early last summer the Stock Exchange addressed a letter to all corporations represented on its board who had not made such an agreement, with a view to securing their cooperation in this respect. The letter said in part:

"We are impressed with the insistency and the character of the public interest in this question, and we believe that you would be rendering a real service to the business world at large by placing yourself

alongside of the ever-increasing number of corporations who have decided to make information in regard to their affairs more frequently available to their shareholders."

There can be no doubt as to the general desirability of such course. Complete and trustworthy information regarding the financial affairs of corporations whose securities are widely dealt in, should be made available to the public at frequent intervals. Only then can our great exchanges perform their proper function in making true prices for the securities to which they supply a market. This is particularly true in view of the large number of corporations whose securities are active, and the many kinds of securities offered. The need is the greater because of the wide participation in corporate issues on the part of the small investor.

Frequent rendition of financial statements perhaps would accomplish something towards lessening speculation and diminishing exploitation of the uninformed by insiders. Considered from the point of view of the public, speculation is an evil because it tends to distort the picture and to set a false price not based on values and earnings. There are instances in which those on the inside of a corporation's affairs have used to the disadvantage of the public, news concerning the company which was not known to the latter. These malpractices thrive in the dark. As more light is let in, they tend to disappear.

There are some cases possibly in which the publication of quarterly financial statements might not be as advantageous as appears off-hand. Manufacturing concerns whose production is uneven might not be able to prepare truly informative statements on a quarterly basis. The case of a concern engaged in the manufacture of machinery and machine supplies is one in point. It makes small articles, in process only a short time, and worth only a few cents. It makes large units also, requiring in some cases more than a year for completion, and valued perhaps at a million dollars. A profit and loss statement for the quarter in which a large product was disposed of would appear abnormal when compared to a similar statement for the preceding quarter, and taken by itself might

be misleading. Over a period of a year, however, these discrepancies tend to offset each other.

Where this condition is not present, however, it is possible usually to prepare reliable financial statements quarterly. Many concerns, such as public utilities, could do so even monthly. Altogether the proposal has much to recommend it.

If corporate financial statements are to be given to the public four times a year instead of once or twice, they must be none the less complete and authentic. They must contain all essential information required by investors who contemplate the purchase of shares, or shareholders whose money is invested in the enterprise. And the public must be satisfied as to their correctness.

## Book Review

Eigelberner, J. *The Investigation of Business Problems*. (Chicago and New York, A. W. Shaw Company, 1926. 335 p.)

During the last decade there has been considerable expansion in research work in the field of business. Many educational institutions have established research bureaus and several independent agencies have been created for purposes of economic research, while the number of business concerns maintaining their own research departments is constantly increasing. In order that such work may be carried on most effectually, it is highly desirable that those who are engaged in making investigations be properly fitted for the task.

The author of the present work has filled a need for an authoritative manual of investigational procedure, which might be used in training research men, through his discussion of the technique and procedure of investigating business problems. The procedure which he describes, being an adaptation of the scientific method applied to the solution of business problems, is de-

veloped from the point of view of an engineer. However, the author seems to be thoroughly acquainted with business conditions, and his method of presentation is along practical rather than technical lines. He has fulfilled well his two-fold purpose: first, "the fundamental intent to present a thorough analysis of the subject, one that is sound both from the standpoint of theory and practice;" second, "the purpose of developing a practical training in the art of investigation which will be of equal value to the business executive and to the research worker, both in the analysis and the solution of their problems."

The subject is treated in logical order, beginning with the preliminary analysis of the problem, followed by chapters on collecting, classifying, and tabulating the facts, and concluding with a discussion of the forming and establishing of conclusions and the preparation of reports. Inclusion of related matter from the fields of logic and psychology gives one the feeling that the subject has been presented in an unusually complete manner for a single